

Message Text

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FOR A/FBO, EUR/EX, AND EUR/EE

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SUBJ: IMPENDING RENT INCREASES AND P.L.-480 GUARANTEES

REF: WARSAW 0284

1. IN ADDITION TO THE JOINT DEMARCHE RECOMMENDED IN REF, WE BELIEVE AN ADDITIONAL AND SEPARATE PROTEST SHOULD BE MADE BY THE USG. THE PROTEST SHOULD BE BASED ON POLISH GUARANTEES THAT WE WOULD BE ABLE TO USE OUR P.L.-480 ZLOTYS FOR THE ACQUISITION OF PROPERTY ON FAVORABLE TERMS.

2. U.S.-POLISH P.L.-480 AGREEMENTS REFER SPECIFICALLY TO SECTION 104 OF P.L.480, WHICH PROVIDES THAT FUNDS MAY BE USED:

"FOR THE ACQUISITION BY PURCHASE, LEASE, RENTAL OR OTHERWISE, OF SITES AND BUILDINGS AND GROUNDS ABROAD, FOR UNITED STATES GOVERNMENT USE INCLUDING OFFICES, RESIDENCE QUARTERS, COMMUNITY AND OTHER FACILITIES, AND FOR CONTRUCTION, REPAIR, ALTERATION AND FURNISHING OF SUCH BUILDINGS AND FACILITIES..."

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3. IN THE KRZAK-KISSINGER LETTER OF MAY 15, 1975, WHICH WAS AN ELEMENT IN THE P.L.-480 DEBT-REPAYMENT, ROLL-OVER AGREEMENT OF THE SAME DATE, VICE FINANCE MINISTER KRZAK CONFIRMED THAT THE POLISH GOVERNMENT WOULD SUPPORT REQUESTS BY THE USG FOR THE "ACQUISITION OF RESIDENTIAL AND SCHOOL FACILITIES IN POLAND... ON FAVORABLE TERMS UNDER THE CIRCUMSTANCES."

4. COMMENT: THE IMPENDING MASSIVE RENT

INCREASES UNDER A POLISH GOVERNMENT DECREE OF OCTOBER 25, 1977, TOGETHER WITH INDICATIONS THAT EMBASSIES WHICH PURCHASE THEIR ZLOTYS WITH HARD CURRENCY TO PAY RENTS WILL RECEIVE A SPECIAL FAVORABLE EXCHANGE RATE, HARDLY SEEMS TO CONSTITUTE "FAVORABLE TERMS" FOR OUR USE OF P.L.-480 ZLOTYS FOR THE RENTAL OF BUILDINGS AND GROUNDS FOR RESIDENTIAL QUARTERS.

5. OVER THE PAST SEVERAL MONTHS, THE POLES HAVE EMPHASIZED TO US THE EXTREME DIFFICULTIES THEY ARE HAVING IN MEETING THEIR DEBT REPAYMENTS TO THE UNITED STATES AND OTHER WESTERN GOVERNMENTS. THEY HAVE EVEN HINTED THAT THEY MIGHT BE INTERESTED IN SOME RESCHEDULING ARRANGEMENT. THESE PLEAS FOR FINANCIAL HELP CAN BE EXPECTED TO CONTINUE OVER THE NEXT SEVERAL YEARS. WE SHOULD POINT OUT THAT WE CAN HARDLY BE ASKED TO DEFER CONVERSION OF ZLOTYS TO DOLLARS WHEN IT IS CLEAR THAT EMBASSIES WHICH PAY THEIR RENTS WITH DOLLARS ARE RECEIVING MORE FAVORABLE TERMS THAN WE ARE OFFERED.

6. WHETHER OR NOT WE ARE SUCCESSFUL IN OBTAINING A ROLL-BACK OF THE ANNOUNCED RENT INCREASES, WE SHOULD MAKE A PROTEST FOR THE RECORD AND FOR DISCUSSION AT ANY FUTURE ROLL-OVER NEGOTIATIONS.
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DAVIES

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